



### Arc Elite Asset Utilization (120 month)

This product is for high-net-worth borrowers who prefer to use their assets for qualification rather than using their income to qualify for the mortgage. Asset Utilization attributes qualifying income to a borrower by utilizing the liquid assets of the borrower over a 120-month period. Utilization of verified liquid assets over a 120-month period is done to ensure that income attributed to a borrower is stable and is reasonably expected to continue.

### LTV Matrix

#### Fixed Rate

| Occupancy         | Purpose                | Maximum Loan Amount | Units | Minimum FICO | LTV/(H)CLTV <sup>1</sup> | Maximum DTI |
|-------------------|------------------------|---------------------|-------|--------------|--------------------------|-------------|
| Primary Residence | Purchase and Rate/Term | \$3,000,000         | 1     | 720          | 80%                      | 50%         |
|                   |                        |                     | 1-4   | 700          | 75%                      |             |
|                   |                        |                     |       | 680          | 70%                      |             |
|                   | Cash-Out <sup>2</sup>  | \$3,000,000         | 1     | 740          | 80%                      | 50%         |
|                   |                        |                     | 1-4   | 720          | 75%                      |             |
|                   |                        |                     |       | 700          | 70%                      |             |
| Second Home       | Purchase and Rate/Term | \$3,000,000         | 1     | 720          | 80%                      | 50%         |
|                   |                        |                     |       | 700          | 75%                      |             |
|                   |                        |                     |       | 680          | 70%                      |             |
|                   | Cash-Out <sup>2</sup>  | \$3,000,000         | 1     | 740          | 80%                      | 50%         |
|                   |                        |                     |       | 720          | 75%                      |             |
|                   |                        |                     |       | 700          | 70%                      |             |
|                   |                        |                     |       | 680          | 65%                      |             |

1. **Rural properties:** Max 65% LTV/(H)CLTV
2. **Cash-out Transactions:** Maximum cash in hand of \$1MM maximum combined cash-in-hand total for all Arc Home loans, over rolling 12-month period



## Product Specific Requirements

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| <b>Amortization Type</b>                       | 30 Year Fixed Rate   |
| <b>Appraisal Requirement</b>                   | <ul style="list-style-type: none"> <li>One appraisal is required for loan amounts <math>\leq</math> \$2,000,000.</li> <li>Two appraisals are required for loan amounts <math>&gt;</math> \$2,000,000.</li> <li>Follow the Arc Selling Guide for Collateral Review requirements.</li> <li>Appraisal Waivers (PIW) are not permitted, regardless of DU feedback</li> </ul>   |
| <b>Asset Requirements</b>                      | <ul style="list-style-type: none"> <li>Assets used for down payment, closing costs and prepaids must meet <a href="#">Fannie Mae eligibility and documentation</a> requirements.</li> <li>All funds for down payment, closing costs and reserves must be documented for greater of AUS requirements or 60 days.</li> </ul>   |
| <b>Borrower Contribution</b>                   | Gift funds are not permitted for down payment and closing costs <b>or reserves</b> .   |
| <b>Borrower Eligibility</b>                    | <p><b>Eligible:</b></p> <ul style="list-style-type: none"> <li>US Citizens</li> <li>Permanent Resident Aliens</li> <li>Non-Permanent Resident Aliens</li> </ul> <p><b>Ineligible:</b></p> <ul style="list-style-type: none"> <li>First Time Homebuyers</li> <li>Foreign National Borrowers</li> <li>Non-Occupant Co-Borrowers</li> </ul>   |
| <b>Credit/Payment History Requirements</b>     | <ul style="list-style-type: none"> <li>Borrowers with Derogatory credit must meet <a href="#">Fannie Mae Guidelines</a>.</li> <li>Forbearance permitted only due to Cares Act/COVID-19.</li> <li>Minimum of two FICO scores for each Borrower</li> <li>All applicant(s) and co-borrowers must meet the credit score requirements individually.</li> <li>Non-traditional credit is not permitted.</li> <li>Payment history requirements: 0x30x12 mortgage/rental history on the subject property and all financed REOs under the borrower's name.</li> </ul>  |
| <b>Documentation Requirements</b>              | <p>The following documentation is required:</p> <ul style="list-style-type: none"> <li>Twelve (12) months of account statements – all pages. All assets must be seasoned at least twelve (12) months prior to application date, <b>unless the recent deposit(s) can be sourced to an eligible asset.</b></li> <li>A review of the twelve months of account statements must be conducted to ensure that the borrower's asset profile has remained consistent over this twelve-month period.</li> </ul> <p>If assets from a joint account are being used to qualify and all parties are not on the loan, all non-borrowers (including spouses) must provide a letter (signed and dated) with specific authorization for full access. Among other requirements, there must be sufficient documentation to clearly demonstrate the amount of assets that the borrower(s) has direct liquidation access to; the file contents must be clear as determined at the discretion of the Arc Home underwriter that the dollar amount of assets used for qualifying are eligible to the borrower and are not impacted by withdrawals or other rights that other account holders may be able to claim on the account.</p> |
| <b>QM Requirement</b>                          | Loan must meet QM Safe harbor or Rebuttable Presumption requirements.  |
| <b>Qualified Assets (Eligible Percentages)</b> | <p>The qualifying assets must be liquid. Liquid assets are defined as any asset that can be converted into cash quickly with minimal impact to the price received. The amount of liquid assets used for qualification purposes are specific to the liquidity of such amounts and are set forth below:</p> <p><b>Eligible Qualifying Assets:</b></p> <ul style="list-style-type: none"> <li>100% of checking, savings, <b>CDs</b>, and money market accounts</li> </ul>   |



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|   | <ul style="list-style-type: none"> <li>• 70% of the remaining value of stocks &amp; bonds, mutual funds (including those held in Retirement/Annuity/Pension accounts if over age 59 ½ and, if the plan is an employer administered plan, the borrower is separated from service)</li> <li>• 50% of retirement funds (401k, IRA, Keogh, Government Annuity and Pension Income) if younger than age 59 ½ or if borrower is over age 59 ½ but is using an employer administered plan and the borrower is not separated from service</li> <li>• When using employer administered retirement plan accounts for borrowers that are younger than age 59 ½ or for which the borrower is over age 59 ½ but is not separated from service from the employer, the loan file should include sufficient plan account documents to determine that the borrower has the ability to liquidate the assets that are being used for determining ability to repay. The liquidation cannot be limited to “hardship” circumstances.</li> </ul> <p>Note: If an applicant requests that a Defined Benefit retirement plan(s) be considered, the file must contain sufficient plan account documents to determine that the borrower has the ability to liquidate the assets that are being used for determining ability to repay. The liquidation cannot be limited to “hardship” circumstances. For Defined Benefit retirement plan assets, this requirement must be satisfied regardless of either the borrower age or whether they are separated from service.</p> <p><b>Ineligible Qualifying Assets:</b></p> <ul style="list-style-type: none"> <li>• 529 or similar college fund</li> <li>• Business assets</li> <li>• Cash value of life insurance</li> <li>• Equity in real estate including current home</li> <li>• Funds held in foreign accounts or investments</li> <li>• Gift funds</li> <li>• Gift of equity</li> <li>• Pledged/Collateral assets</li> <li>• Margined assets/Loans</li> <li>• Private securities or any non-publicly traded assets</li> <li>• Restricted stock units, stock options, non-vested stock</li> <li>• Stocks and bonds not publicly traded</li> <li>• The following trusts <ul style="list-style-type: none"> <li>○ Blind trusts</li> <li>○ Irrevocable trust</li> <li>○ Land trusts</li> <li>○ Life estates</li> </ul> </li> </ul> |
| <p><b>Calculations Requirements</b></p> | <p>The Eligible Percentages described above should be applied to the ending balance reflected on the most recent statement if the ending balance is within 10% of the average of the documented twelve-month ending balances.</p> <ul style="list-style-type: none"> <li>• If the ending balance of the most recent statement is &gt;10% above the average of the documented twelve-month ending balances, then either: <ul style="list-style-type: none"> <li>○ The twelve-month average should be used, OR</li> <li>○ The higher amount may be used if the source of the increase of funds is documented</li> </ul> </li> <li>• If the ending balance of the most recent statement is &gt;10% less than the average of the documented twelve-month ending balances, then the ending balance that is reflected on the most recent statement must be used, and the income must be signed off by an Arc Home Underwriting Manager.</li> </ul> <p><b><u>Monthly Qualifying Income</u></b><br/> (Total Qualified Assets – down payment – closing costs – reserves) divided by 120.</p>   |
| <p><b>Documentation Type</b></p>        | <p>Doc Type must reflect “Asset Utilization”</p>  |



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| <b>Impound/Escrow Accounts</b>       | Escrow funds/impound accounts may be waived for taxes and hazard insurance in accordance with the Arc Selling Guide.  |
| <b>Lien Position</b>                 | First   |
| <b>Minimum Loan Amount</b>           | \$100,000   |
| <b>Number of Financed Properties</b> | <ul style="list-style-type: none"> <li>A single borrower can have no more than 10 financed properties including subject property. All properties in which the borrower is personally obligated must be included in the financed property maximum.</li> <li>For Arc Elite, Arc Access, Conventional Investment Property and FNMA/FHLMC Second Home-Investment Property Products, each borrower may not exceed either an aggregate unpaid principal balance amount of \$5MM or 10 loans (including the subject property) financed with Arc Home Loans.</li> </ul> |
| <b>Occupancy</b>                     | <ul style="list-style-type: none"> <li>Primary Residence</li> <li>Second Home</li> </ul>  |
| <b>Prepayment Penalty</b>            | Not allowed.  |
| <b>Property Types</b>                | <p><b>Eligible:</b></p> <ul style="list-style-type: none"> <li>1-4 unit (Detached, Semi Detached, Attached)</li> <li>PUD (Detached, Attached)</li> <li>Warrantable Condominium (Detached, Attached)</li> </ul> <p><b>Ineligible:</b></p> <ul style="list-style-type: none"> <li>Non-Warrantable Condominiums</li> <li>Condotels</li> </ul> <p>Refer to the Arc Selling Guide for ineligible property types.</p>   |
| <b>Reserve Requirements</b>          | <p>Greater of DU requirements or the below requirements:</p> <ul style="list-style-type: none"> <li>Loan Amount <math>\leq</math> \$750K: 3 months</li> <li>Loan Amount <math>&gt;</math> \$750K - \$1.5MM: 6 months</li> <li>Loan Amount <math>&gt;</math> \$1.5MM-\$2.5MM: 9 months</li> <li>Loan Amount <math>&gt;</math> \$2.5MM: 12 months</li> <li>Cash out proceeds may be used to satisfy reserve requirements.</li> </ul>  |
| <b>Secondary Financing</b>           | Allowed   |
| <b>Tax Transcripts</b>               | A signed 4506-C and IRS Tax Transcripts are not required.   |
| <b>Transaction Types</b>             | <p><b>Eligible:</b></p> <ul style="list-style-type: none"> <li>Purchase</li> <li>Rate Term Refinance</li> <li>Delayed Financing</li> <li>Cash Out Refinance</li> <li>Texas 50(a)(6) Rate Term and Cash Out refinances</li> </ul>  |
| <b>Underwriting</b>                  | Loans must score "Approve" on Fannie Mae Desktop Underwriter (DU). Loans may score "Ineligible" only for loan amount and LTV. A Caution, Incomplete, invalid or out of Scope are not allowed. Refer to the Arc Selling Guide for complete program requirements.   |

## Product Codes

30 YR FIXED ELITE ALTERNATE INCOME